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Report Highlights:

Ukrainian broiler meat production is anticipated to expand further in 2004.

Following a hiatus of nearly two years, U.S. chicken meat exports are expected to once again enter Ukraine legally.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Ukrainian broiler meat production will continue to increase in 2004, although at a lower pace than in the previous two years. Overall imports of poultry meat will decline while U.S. poultry meat is expected to regain its share in the Ukrainian import market after a nearly two-year ban. Poultry meat consumption in 2004 will continue to increase with broiler meat replacing spent hen in the Ukrainian diet.

Section I. Narrative

Production

Broiler meat production in 2004 is forecast to continue to increase. However, the rate of growth will be lower than that of the previous two years. Higher feed grain prices in MY 2003/2004 will likely be reflected in higher broiler meat production costs. Increased production costs will lead to lower profit margins for domestic producers and, most likely, higher wholesale and retail prices in 2004 as compared with the previous two years. According to Post's calculations, broiler meat producers have operated at a 10-15% profit margin after each production cycle in 2003.

All major broiler producers in Ukraine raise broilers for 42 days before slaughter (until birds reach 2.2-2.3 kilograms of live weight). The average feed conversion rate is about 1.9 kilograms of feed per 1 kilogram of broiler weight. The cost of production varies from UAH 7.10 to 7.30 per 1 kilogram (US\$1.34-1.38 per 1 kg).

Private investment in the industry has been one of the main driving forces behind increased production. All major broiler producers in Ukraine are vertically integrated companies. These include farms for the production of cereals, pulses and oilseeds, feed mills, hatcheries, poultry houses, processing plants and their own distribution system. In addition to private investment, low feed grain prices in MY 2001/2002 and 2002/2003 were behind the rapid growth of broiler production in Ukraine. Feed wheat prices dropped from \$121 per 1 MT (EXW) in June 2001 to \$66 in June 2002; the feed barley price decreased from \$93 to \$69 per 1 MT and corn prices decreased from \$123 to \$77 per 1 MT during the same period, reflecting bumper crops in 2001 and 2002. Feed grain prices have been steadily increasing in Ukraine since early May 2003. This most recent increase in feed costs has already been passed on to the final consumer (see Prices Table in Section II).

There are persistent rumors in the market that the Government of Ukraine (GOU) will introduce a direct subsidy to broiler producers in 2004 of UAH 0.30 per 1 kilogram of live weight (US\$ 0.06/kg). However, it is doubtful that the budget-poor GOU can afford to introduce this subsidy program with an estimated cost of UAH 57 million per year. Unlike broiler meat production, cattle and hog farming remains unprofitable and also compete for limited government funding.

There are still no official statistics on broiler meat production in Ukraine. The 2002 production estimate in the PSD is based on information released by the Ukrainian Poultry Producers Association "UkrPtakhoProm".

Consumption

Broiler meat consumption in 2004 will increase on the heels of the anticipated expansion in production. Consumption is expected to reach an estimated 4.6 kilograms per capita. This per capita consumption level will still

be 36% below the maximum level registered in 1990. It should be noted that these estimates do not account for smuggled chicken.

The average Ukrainian presently consumes more pork and beef than poultry meat. That said, poultry meat consumption has been steadily increasing since 2000. Broiler meat will continue to replace spent hen in the Ukrainian diet in 2004. The share of broiler meat in total poultry meat consumption (broiler, spent hen, turkey, duck and goose meat) increased from an estimated 25% in 2001 to 43% in 2003.

Chilled meat consumption in 2004 will continue to rise at the expense of imported frozen chicken meat and is expected to reach an estimated 73-77% of total domestic consumption. As supermarkets become more popular in Ukraine, the market niche for imported frozen meat will shift towards domestic meat processors. There has also been a shift in consumer preference for white over red meat. (See GAIN Report # UP3005 dated 8/12/2003 for more information on pork, beef and poultry meat consumption in Ukraine.)

It is expected that meat processors and open air markets will remain as the major outlets for imported poultry meat in Ukraine in the near future.

Trade

Overall legal chicken meat imports are forecast to decline in 2004. However, poultry meat exports from the United States should resume following the anticipated lifting of the ban in Ukraine. There have been no legal imports of U.S. poultry meat into Ukraine since late January 2002 because of the ban. It is expected that U.S. poultry meat imports in 2004 will regain market share lost to other suppliers in 2002 and 2003. (See Import Trade Matrix in Section II for details). Meat processors in Ukraine are eager to switch back to lower-priced U.S. chicken cuts and offal.

Smuggled U.S. frozen chicken cuts have been readily available in nearly every open air market in Ukraine and have not been affected by the poultry ban. Some traders estimate the volume of illegal poultry meat imports into Ukraine during 2003 at 10,000-12,000 MT per month. That is double the volume of imports reported in official Ukrainian statistics. Nearly all legal broiler meat trade with Ukraine is conducted through the free economic zones (FEZ) without paying the EUR 0.7/kg import duty on frozen chicken leg quarters (HS 0207146000) or the EUR 1.5/kg import duty for all other frozen chicken parts and whole chickens.

Import Quota

GOU attempts to limit poultry meat imports via the FEZ by curtailing import duty privileges have been in vain. Importers went to court and successfully won back their import privileges. Trade continues to flow into the FEZs duty free. The GOU is now considering the introduction of a quota to limit FEZ poultry meat imports (HS 0207). A current proposal would set the quota at 70,000 MT per year for the first year following adoption of the legislation. The quota would then be gradually reduced from 70,000 MT to zero over a period of ten years. The GOU would distribute the quota amongst meat processors located in the various FEZs. There are no details on whether or not country-specific allocations would be applied.

The processing capacity of Ukrainian meat processing factories located in the FEZ has been estimated at 200,000 MT. The obvious purpose of the proposed import quota would be to encourage the utilization of higher-priced domestic poultry meat by processors.

Trade estimates for 2002 and 2003 have been adjusted to reflect the most recently available official trade data. Ukraine exported 2,000 MT of chicken meat to the Russian Federation in 2002. No significant exports are anticipated in 2004 due to restrictions imposed by the Russian poultry meat TRQ. Ukraine has no specific quota allocation to supply poultry meat to the Russian Federation.

Prices

Prices for imported chicken meat are provided in Section II. Ukrainian broiler meat is generally priced 10-15% higher than imported product.

Marketing

The share of broiler meat sales through supermarkets and other retail trade has been steadily increasing at the expense of the open air markets. However, the latter still remain the most important outlets for meat and other food products sold in Ukraine. Approximately 85-90% of all broiler meat produced in Ukraine is sold chilled or fresh while the remaining 10-15% is frozen chicken. All major broiler meat producers have created effective distribution systems which allow them to sell chilled broiler meat within 96 hours after slaughter, the maximum product shelf life allowed under Ukrainian regulations. The major chicken producers in Ukraine are considering further investment in their processing operations in order to produce new value-added products to meet consumer demand.

Domestic producers actively advertise on national television as well as on billboards to promote their branded products. The media campaign against U.S. poultry meat initiated in 2001 has slowed down as it has accomplished its goal of damaging the reputation of U.S. poultry meat in the eyes of Ukrainian consumers. The niche for frozen U.S. poultry meat in Ukraine will remain with meat processors and open air markets.

Section II. Statistical Tables

Boiler Meat PSD Table

PSD Table						
Country	Ukraine					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	15	0	0	0	0
Production	130	130	170	170	0	190
Whole, Imports	0	2	0	2	0	1
Parts, Imports	20	59	15	40	0	30
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	20	61	15	42	0	31
TOTAL SUPPLY	150	206	185	212	0	221
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	3	0	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	3	0	1	0	1
Human Consumption	150	203	185	211	0	220
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	150	203	185	211	0	220
TOTAL Use	150	206	185	212	0	221
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	150	206	185	212	0	221
Calendar Yr. Imp. from U.S.	20	20	10	10	0	20

Poultry Meat Imports into Ukraine.

	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
Total poultry meat imports (HS 0207), MT	51,469	88,716	25,978	67,332	71,760	29,119	24,384
-including U.S. poultry meat (HS 0207), MT	37,165	77,497	22,331	54,607	19,912	15,030	20*
-US share in volume, %	72%	87%	86%	81%	28%	52%	0%
Value of imported poultry meat (HS 0207), CIF, \$1,000	\$55,689	\$87,270	\$17,537	\$62,826	\$29,698	\$11,394	\$10,694
- including U.S. poultry meat imports (HS0207), \$1,000	\$40,222	\$76,009	\$15,100	\$53,647	\$7,054	\$5,159	\$4
- US share in value, %	72%	87%	86%	85%	24%	45%	0%

Data Source: State Statistics Committee of Ukraine

Share of Frozen Chicken Parts (HS 020714) in Total Poultry Meat Imports (HS 0207).

	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
Share in volume, %	94%	96%	94%	91%	82%	90%	76%
Share in value, %	95%	97%	94%	92%	81%	88%	78%

Data Source: State Statistics Committee of Ukraine

Frozen Chicken Parts Import Trade Matrix, MT*

Imports from	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
United States	36,609	77,456	21,991	52,461	19,869	15,030	0
Others							
Netherlands	10,648	5,655	840	1,391	11,615	2,773	3,355
Brazil	0	0	0	50	0	0	3,337
Belgium	406	180	435	3,387	17,431	7,343	3,313
Denmark	0	7	20	0	960	0	1,882
Hungary	3	109	236	730	1,352	221	1,759
Germany	160	513	440	1,025	3,451	468	1,629
Poland	58	85	277	232	2,718	361	1,224
France	0	21	43	183	199	40	681
Canada	0	48	50	491	911	0	574
Italy	541	0	0	62	168	0	471
Spain	0	0	0	7	220	19	139
Bahamas	0	0	0	0	0	0	87
Russian Federation	40	0	0	117	37	0	33
Total for Others	11,857	6,618	2,341	7,674	39,062	11,226	18,483
Others not Listed	131	1,115	217	1,396	0	0	0
Grand Total	48,596	85,188	24,549	61,532	58,932	26,256	18,483

* Ukrainian HS codes 020741000 prior June 2001 and 020714000 after July 2001.

Data Source: State Statistics Committee of Ukraine

Whole Frozen Chicken Imports into Ukraine, MT*

Imports from	1998	1999	2000	2001	2002	Jan.- May 2002	Jan.- May 2003
United States	53	2	59	167	23	0	0
Others							
Brazil	20	20	0	100	0	0	478
France	38	445	20	52	280	53	280
Denmark	1	0	0	0	117	0	137
Hungary	41	286	258	977	1028	320	100
Poland	0	0	0	0	56	0	34
Italy	86	0	0	0	20	0	8
Germany	0	38	0	78	220	0	0
Great Britain	0	0	0	0	20	0	0
Netherlands	797	515	30	19	13	0	0
Total for Others	984	1304	308	1226	1754	373	1037
Others not Listed	251	104	21	26	0	0	0
Grand Total	1288	1410	389	1419	1777	373	1037

*Ukrainian HS Codes 020721000 prior June 30 1, 2001 and HS 0207120000 after July 1, 2001

Data Source: State Statistics Committee of Ukraine

Processed Chicken Meat Imports into Ukraine, MT*

Imports from	1998	1999	2000	2001	2002	Jan.- May 2002	Jan.- May 2003
United States	0	0	1	0	0	0	0
Others							
Poland	3	88	104	238	458	210	169
Russian Federtation	0	0	0	0	0	17	30
Ireland	0	0	0	0	0	0	1
Belgium	0	0	0	1	2	0	1
Germany	1	3	0	9	1	1	0
France	0	0	0	0	0	0	0
Moldova	0	0	0	0	64	39	0
Russian Federation	0	25	221	561	17	0	0
Belarus	0	9	0	0	16	16	0
Total for Others	4	125	325	809	559	283	201
Others not Listed	13	39	7	2	0	0	0
Grand Total	17	164	332	812	559	283	201

* Ukrainian HS codes 160239000 prior June 30, 2001 and 1602320000 after July 1, 2001.

Data Source: State Statistics Committee of Ukraine

Imported Broiler Leg Quarter Wholesale Prices

Prices in	UAH	per uom	1 kilogram
Year	2002	2003	% Change
Jan	6.25	6.5	4.00%
Feb	6.1	6.6	8.20%
Mar	6.8	5.9	-13.24%
Apr	6	5.9	-1.67%
May	6	6.2	3.33%
Jun	6.1	7	14.75%
Jul	6.2	7.2	16.13%
Aug	6.3		
Sep	6.3		
Oct	5.95		
Nov	6.05		
Dec	6.05		
Exchange Rate	5.3	Local currency/US \$	

Source: An importer of poultry meat